

REMARKS ON THE EMERGENCY FINANCIAL MANAGEMENT PACKAGE

BEFORE THE SENATE EDUCATION COMMITTEE

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Michigan AFSCME Council 25

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Mr. Chairman and Members of the Committee:

Thank you for allowing me to comment today. My name is Nick Ciaramitaro and I am the Director of Legislation and Public Policy for the Michigan Council of the American Federation of State, County and Municipal employees. AFSCME represents people in all units of government who do the day to day work of making government run. We protect your drinking water and clear your roads. We clean your schools and cut the grass in the parks. We answer your phones and file your papers. We care for the poor, the aged, the disabled and we watch over your children. In short, we make Michigan work.

Michigan AFSCME is very concerned about the serious fiscal challenges faced by local units of government. We are anxious to work with the Administration and this Legislature on meeting those challenges. However, we are opposed to this package of bills for some of the reasons you suspect but for many reasons that may surprise you.

Of course, we are opposed to the unilateral altering or abrogation of collective bargaining agreements that have been negotiated in good faith with local units of government. Some seem to argue that our contracts are based on fantasy and greed. I am here to tell you that that is simply not true. Nearly every contract adopted in the last decade has been concessionary. Recognizing the severe financial problems that have plagued our governments -- both due to economic conditions and due to policies of this state government -- our members have slashed their pay and reduced their benefits. We have had units that have agreed to as much as 25% reductions in wages. Our members are paying higher co-pays, higher deductibles and larger and larger percentages of their medical premiums. I point this out not to ask you to feel sorry for us -- we realize that cuts are a reality of life in the both the public and private sector -- but to point out that local government employees are reasonable and willing to do their fair share in meeting the current fiscal crisis.

But this package of bills purports to do much more than alter public employee compensation. It eliminates all checks and balances in local management. It repeals democratic home rule and it does so even before the existence of a true financial emergency.

The bill starts by putting appointed officials ahead of the elected representatives of the people in making all decisions -- not just spending questions -- but all decisions. Review teams are created with NO representation from those who know the community most. No elected officials, no employees, indeed no local citizens make the decisions on the questions of financial stress and financial emergency. Once the state -- an institution whose ability to avoid financial stress is somewhat in question -- decides that there is financial stress, a state appointed official and a local appointed official can negotiate a "consent agreement" that can give an appointed official virtual dictatorial powers.

A finding of a financial emergency is reviewed by the people who decided the issue in the first place. Once it is declared, democratic self rule virtually ceases. Collective bargaining is stopped. Public discourse is minimized. Local elected officials are stripped of all authority. An individual or a firm can:

- disburse all state, federal and local funds with no oversight
- subpoena witnesses and compel the production of papers
- control all local appropriations, contracts, expenditures and loans
- create new positions and fill vacancies
- ignore minimum staffing levels required by contract or charters approved by voters
- reject, modify or terminate any contract
- sell off local government property
- borrow money
- ignore notice requirements for the public in the adoption of ordinances
- decide pension actuarial assumptions
- dissolve a municipality
- run pension systems
- change the membership on any board or commission

And a government stays in receivership until the emergency manager and the State Treasurer say so – with no oversight and no recourse.

Neither elected officials, workers, contractors nor creditors can question the decisions of the emergency manager nor participate in the decision making process. In short, a receivership under this bill is bankruptcy without any due process.

And what happens if the emergency manager abuses his or her power? We'll give the state officers and the emergency manager immunity, require the State Attorney General to defend their decisions and requires the financially stressed local unit of government to cover all the legal costs. We'll even require that local unit of government to cover all costs of the emergency manager incurred as a result of criminal allegations against him or her.

In contrast to the immunity given to these appointed individuals, elected officials are presumed so guilty of misconduct that they are barred from any role in local decision making despite having been elected to make those decisions.

This package breaks commitments, removes checks and balances, abrogates local control and virtually ignores democracy in local governance.

The problems of running local governments and schools today are real. All stakeholders – elected officials (state and local), business, labor and the public -- must work together to seek fair solutions. Instead, this package seeks to shift blame and offer no solutions. We urge you to step back and work with us to find answers. The people demand it and deserve nothing less.